

# Contemporary Analysis of Ads and Their Impact on Customer Loyalty (Case of Consumable Goods)

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## Abstract

This research deals with the study of “Contemporary analysis of ads and their impact on customer loyalty”. To carry out this research survey was conducted by visiting different areas. Sample of 100 people were drawn from the population by using simple random sampling. Data was collected by using questionnaire. The data was analyzed by using SPSS and Microsoft Excel 2007. Various statistical tools and test were applied on the data that evaluate the analysis of ads and their impact on customer loyalty. The results extracted from the research indicated that there is a positive relationship between advertising and customer loyalty. The findings indicate that consumer attitudes towards Internet advertising differ from many predictions about this new media and customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage. The relationship is seen as mediated by social norms and situational factors. Cognitive, affective, and cognitive antecedents of relative attitude are identified as contributing to loyalty, along with motivational, perceptual, and behavioral consequences. So, researcher gives the tactics of advertising via mobile, TV and other communication channels that advertising can change and give the positive effect to customer.

**Keywords:** Consumer Goods, Customer Loyalty, Advertisement, Customer's Perception, Karachi.

## 1) PURPOSE OF STUDY

The purpose of doing this research is to know about the impact of different advertisements that can influence the loyalty of different customers. With the help of data that will be collected from different sources it will be helpful to know about different persuasive strategies and methods used in ads and their impact of increase customer satisfaction and perception about the product and its related features and specifications.

### 1.1) Problem Statement

Would advertisements have significant impact on customer loyalty in case of consumable goods?

### 1.2) Research Objectives

- To identify the most effective medium of advertising that can increase customer sales and attention.
- To examine the frequency of range of consumable items consumption and their importance in daily life.
- To study customer loyalty with different brand and perception about consumable goods.
- To test customer association of product with their ads how they relate performance of product with its prevailing ads.
- To check out the impact of advertisements on customer loyalty of consumable goods.

### 1.3) Limitations

Following are the limitations that could hinder the research study within its valid scope:

- The scope of this research is mainly focused on the data pertinent to Karachi, Pakistan,
- Time is also a constraint for this research study.
- The knowledge of the researchers is also limited to the objectives of the research only.

## 2) INTRODUCTION

In extremely ready for action markets, firms are progressively more concerned with customers' post-purchase behavior. It is known that merely satisfying customers is not enough to secure customer devotion. Customers also express a tendency to switch to competitors. In the past decade, firm image has been recognized as a strategic tool to strengthen a firm competitive position and improve its profitability and increase chance to buy product. However, as customers become more demanding, competition further intensifies, and economic and industrial growth slows down, firm image might not be an adequate source of a competitive advantage.

Advertising is the next essential basis for competitive advantage that also reinforces firm picture

It has been suggested that firms can leverage firm-customer relationship to fortunate information about customers' needs and in turn provide more reasonable offerings than competitors.

**According to Ndubisi:**

**“Relationship marketing strategy, a part from its ability to help understand customers’ needs, can also lead to customer loyalty and cost reduction.”**

Research has shown that the cost of serving one loyal customer is considerably less than the cost of attracting and helping one new customer. Some of the motives behind organizational investment in customer relationship building contain access to privileged information on customer needs and wants, mutual rewards cost reduction and increasing profitability, etc. In customer retention typically grew the company's profit by 60 percent by the fifth year. It has been argued that long-term relationships where both parties over time learn how best to interact with each other lead to falling relationship costs for the customer as well as for the supplier or service provider.

The significance of relationship marketing is being known to a growing capacity that companies must move from short-term transaction-oriented goal to long-term relationship-building goal. the current developments in business and in marketing reported that **“there has been a shift from a transaction to a relationship focus”** and “from an academic or theoretical perspective, the relatively narrow conceptualization of marketing as a profit-maximization problem, focused on market transactions or series of transactions, seems increasingly out of touch with an importance on long-term customer relationships and construction and management of strategic alliances. The only real sustainable business growth strategy is throughout a mutual symbiotic relationship with customers, which enables a business to value their needs more clearly and to create and deliver superior value. Kavalet al. had earlier indicated that relationship marketing is about strong relationships characterized by trust, equity, and obligation.

Singh and Sirdeshmukh (2000) recommended the customer loyalty as “the marketplace currency of the twenty-first century”. Ndubisi (2005) and Pfeifer (2005) pointed out that the cost of helping a loyal customer is five or six times less than a new customer. This statement shows the importance of customer loyalty. Walsh et al.(2005) mentioned that it is better to look after the existing customer before acquiring new customers. Gee et al. (2008) stated the merits of customer loyalty are as:

*The service cost of a loyal customer is less than new customers*

*They will pay higher costs for a set of products; and*

*For a company, a loyal customer will act as a word-of-mouth marketing agent*

As said by Foss and Stone (2001), customer loyalty relates to what customers imagine and do (or try to do). Most customer loyalty experts would agree that loyalty is best defined as a state of mind, a set of attitudes, beliefs, desires etc. Loyalty is developed by approaches which reinforce and develop a positive state of mind and the associated behaviors. The exchange of information is one of the keys of loyalty, and provides a critical bridge between state of mind and behavior. Loyal customers are more likely to give information to the service provider (because they trust the service provider and expect from the service provider to use the information with discretion and to their benefits). Managing loyalty is significant because it means not only managing behavior but also managing circumstances of mind.

Early views of brand affection focused on repeat purchase behavior. For example, Brown (2000) classified loyalty into four categories,

- (1) Undivided loyalty,
- (2) Divided loyalty,
- (3) Unstable loyalty, and
- (4) No loyalty based on the purchase patterns of consumers.

Lipstein and Kuehn measured loyalty by the probability of product repurchase. Some researchers (e.g., Day, Jacoby & Chestnut, 2002) have recommended that a behavioral definition is unsatisfactory because it does not differentiate between true loyalty and spurious loyalty that may result, for example, from a lack of available alternatives for the consumer. In response to these criticisms, researchers have proposed measuring loyalty by means of an attitudinal dimension in addition to a behavioral dimension. There exist a relationships between image, advertising efficiency, customer satisfaction, customer expectation, perceived quality, perceived value, customer complaint and customer loyalty. These variables are increasingly recognized as being sources of competitive advantage. Customer Satisfaction is one of the most important outcomes in the marketing literature. It serves to link processes culminating purchase and consumption with post purchase phenomena such as attitude change, repeat purchase, and brand loyalty the customer satisfaction model explains that when the customers compare their perceptions of actual products/services performance with the expectations, then the feelings of satisfaction have arisen. Any discrepancies between the expectations and the performance create the disconfirmation.

Loyalty programs motivate customers to increase use of your business's products or services. A loyalty

program rewards your business's customers for making repeat purchases with discounts or added-value offers. A business owner's skill to value customer experience and turn it to customer concern will verify the measure of his achievement. There is no doubt that businesses who really listen have the competitive advantage, and there is much to listen to. Today, more than ever, online businesses need to emphasize customer care and experience in order to maximize customer loyalty and keep up with competition that is always only one click away. One might argue that customers are constantly providing business owners with feedback: every time they return to an online store, leave a site, and abandon shopping carts, they send feedback through their actions. While this is true, this response is often hard to decipher, and takes a long time and precious resources to understand and observe. There is a requirement of advertisement as to show the consumers what is there in the market. Only through advertisements many people are attentive what exists in the market. There are many "free" for products going on. The advertisement helps the seller to be a focus for the consumers and helps to raise customer loyalty with the product.

We are breathing in an era of information explosion in which advertising seems to be an indispensable building block of the media. Radio, TV, and the press are, to a great point financially motivated to present ads. Seen in a sociological perspective, advertising will only flourish in a community where individuals live above subsistence level and where technological advancement makes mass-production possible. Over-production and under-demand often lead to a competitive market where advertising is justified. Now advertising is an integral part of our social and economic system. Every day, we are exposed to so much advertising. Just as Blake Clark said: "the average man lives with the advertising man's work more hours a day than with his family, and is certainly more familiar with advertising slogans than with the proverbs in his bible." (Blake Clark, *The Advertising Smokescreen*, 1998) we are so heavily and continuously barraged by advertising in modern life. Of all business activities, probably none is better known, more widely discussed, or more highly criticized by the public than advertising. One reason for this is that advertising has become the spokesman for business. As a form of mass communication closely linked with the world of commerce and marketing, advertising is a powerful tool for the run of information from the seller to the buyer. It influences and persuades people to act or believe. It is also something which affects most of us in a number of different spheres of our lives. It not only influences any human society but also reflects certain aspects of that society's values and structure. There are many special and specific reasons for using advertising in its several forms. Announcing a new product or service, expanding the market to new buyers, announcing a modification or a price change, educating customers, challenging competition, recruiting of staff and attracting investors are a few of such reasons. In the process of creating advertisements for all these reasons, language, i.e., choice of expression is of crucial importance. What kinds of choices make an advertisement highly effective is something worthy to be studied from a linguistic perspective. As a form of mediums, advertising owns its distinctive linguistic characteristics which are generalized from the abundant examples offered in this thesis.

The learning of language of advertising from a linguistic perspective has been attempted by several scholars (Leech 2003; Geis 2002; Vestergaard and Schroder 2000; Mencher 2001, etc.). Leech (2003), in his pioneering and comprehensive study on English in advertising, has analyzed in detail different aspects pertaining to grammar, vocabulary, discourse and rhyme and rhetoric of advertising with special reference to television. He has effectively related these aspects with the functional factors such as attention value, listen ability/ readability, memorability and selling power. Illustration, display typography, vocal emphasis, prompt spelling, grammatical solecism, metaphor and paradox are some of the aspects linked with attention value. Simple and colloquial style and familiar vocabulary are connected with readability. Phonological regularities such as alliteration, rhythm, rhyme and jingle are related to memorability. Frequent use of imperatives and superlatives are connected with selling power. The distinctive property of advertising language has been closely identified with the use of clauses, phrases and words as minor sentences, which constitute a different kind of grammar called as disjunctive grammar. Geis (1999) has made an attempt to describe how language is used in American advertising, especially television advertising. He has focused on certain linguistic devices that figure most prominently in advertising. According to him, the advertising claims employing the word 'help' as in phrases like 'helps to achieve' and comparative phrases like 'more or less' are impressive because they are indistinguishable from the law like generic claims of scientists. He has concluded that advertisers in general tend to prefer vague language rather than language with explicit empirical consequences and to prefer subjective claims to objective claims. Vestergaard and Schroder (1999) have studied the language use in commercial press advertising in affiliation with communicative functions of language such as expressive, directive, informational, contextual and poetic etc. They have also identified the significance of imperatives and directive speech acts in encouraging the audience to buy the products. Mencher (1990) has looked into the aspect of vocabulary in advertising and identified ten words as the most personal and persuasive. They are: "new", "save", "safety", "proven", "love", "discover", "guarantee", "results", "you" and "health". The psychological influence of these words on the consumers has also been discussed.

It has been incorrectly assumed that the advertising function is of recent origin. Evidence suggests that

the Romans practiced advertising; but the earliest suggestion of its use in this country dates back to the middle Ages, when the use of the surname indicated a man's occupation. The next stage in the evolution of advertising was the use of signs as a visual expression of the tradesman's function and a means of locating the source of goods. This method is still in common use. The seller in primitive times relied upon his loud voice to attract attention and inform consumers of the availability of his services. If there were many competitors, he relied upon his own personal magnetism to attract attention to his merchandise. Often it became essential for him to resort to persuasion to pinpoint the reward of his products. Thus, the seller was doing the complete promotion job himself. Development of retail stores, made the traders to be more anxious about attracting business. Informing customers of the availability of supplies was highly important. Some types of outside promotion were necessary. Signs on stores and in prominent places around the city and notices in printed matters were sometimes used.

When customers were finally fascinated to the store and pleased with the service at least once, they were still subjected to competitive influences; therefore, the merchant's signs and advertisements reminded customers of the continuing availability of his services. Sometimes traders would talk to present and former customers in the streets, or join social organizations in order to have ongoing contacts with present and potential customers.

## 2.1) FIVE TYPES OF CUSTOMERS

In the retail industry, it seems as though we are constantly faced with the issue of trying to find new customers. Most of us are obsessed with making sure our advertising, displays, and pricing all "scream out" to attract new customers. This focus on pursuing new customers is certainly prudent and necessary, but, at the same time, it can wind up hurting us. Therefore, our focus really should be on the 20 percent of our clients who currently are our best customers.

In retail, this idea of focusing on the best current customers should be seen as an on-going opportunity. To better understand the rationale behind this theory and to face the challenge of building customer loyalty, we need to break down shoppers into five main types:

- **Loyal Customers:** They represent no more than 20 percent of our customer base, but make up more than 50 percent of our sales.
- **Discount Customers:** They shop our stores frequently, but make their decisions based on the size of our markdowns.
- **Impulse Customers:** They do not have buying a particular item at the top of their "To Do" list, but come into the store on a whim. They will purchase what seems good at the time.
- **Need-Based Customers:** They have a specific intention to buy a particular type of item.
- **Wandering Customers:** They have no specific need or desire in mind when they come into the store.

Rather, they want a sense of experience and/or community.

If we are serious about growing our business, we need to focus our effort on the loyal customers, and merchandise our store to leverage the impulse shoppers. The other three types of customers do represent a segment of our business, but they can also cause us to misdirect our resources if we put too much emphasis on them.

### **The exact result of advertisement expenditure is very difficult to predict because;**

- (a) The reaction of consumer – buyers to the advertising efforts cannot be known in advance.
- (b) The reaction of competitors in the field cannot be guessed in anticipation and
- (c) The unexpected events (such as change in social and economic environment and the government policies etc.) cannot be accurately anticipated. Such events may influence the results of the advertising efforts. If we take a hypothetical case of a retailer who contract to spent Rs.5000 on advertisement with a local newspaper for a special sales even. The advertisement is seen and the response is much greater than it is anticipated. What caused the success of sale? They message theme colors etc., of the advertisement or the low prices quoted during the sale of the superior quality of the product or absence of competition in the market on the day or the favorable. Weather conditions or the goodwill of the firm etc. The overwhelming success of the sale is the joint result of all the above variables and it is quite impossible to isolate the role of anyone variable. It is so because the cause and effect – relationship cannot be established in advance when a multitude of variable impinge upon a particular event. It is entirely possible that a poor advertising support may push up the sale because everything else falls into its proper place or there verse may be possible. But it does not mean that that we cannot measure the effects of particulars advertising effort. The advertising executives are much concerned about the assessment of the effectiveness of the advertising efforts. For this purpose, the management needs answers to such questions as: was the advertising campaign really successful in attaining the advertising goals? Were our T.V. commercials as good as those of our competitors? Will the print advertisement, which we have designed, make consumers aware of our new product? To get answers of these questions, various tests of effectiveness (Pre- tests and post – tests) are deeded to determine whether proposed advertisement should be used, and if they are not satisfactory how they might be improved, and whether ongoing campaign should be stopped continued or changed. Pre- tests are

conducted before exposing target consumers to the advertisements and post-tests after consumers have been exposed to them.

### **3) LITERATURE REVIEW**

#### **3.1) CUSTOMER LOYALTY**

Customer devotion is the measure of accomplishment of the supplier in retaining a long term association with the customer. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, that focus is not how you build customer loyalty. Widespread use of the Internet has changed how customers assume relationship building to work. No longer is marketing and sales information simply pushed toward the customer. Now, a company must also allow customers to pull the marketing information they want, when they want it and complete the purchase process on their terms. Now a company's ability to thrive depends on capturing appropriate customer data from multiple points of customer contact: a Website click stream, email, telephone, fax, a call center, a kiosk or store, a reseller or a direct sales force. When used correctly, this data enables the company to individualize its answer to each customer boundary in what's often referred to as "mass customization."

Customer loyalty can be achieved in some cases by offering an excellence product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest prices on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to productivity, as well as happy stakeholders. Thus customer loyalty tends the customer to voluntarily choose a particular product against another for his need. The loyalty may be product specific or it may be company specific. When a loyal customer has repetitive requirement of the same product, such customers may be described as being 'brand loyal'. On the other hand he may also want dissimilar products of the same manufacturer.

#### **3.2) IMPACT OF ADVERTISEMENT**

Advertising has an important effect on a country's economy, society, culture, and political system. This is especially true in the United States where the advertising industry plays such a prominent role.

##### **3.2.1) ECONOMIC IMPACT**

Most economists believe that advertising has a positive impact on the economy because it stimulates demand for products and services, strengthening the economy by promoting the sale of goods and services. Manufacturers know that advertising can help sell a new product quickly, enabling them to recoup the costs of developing new products. By stimulating the development of new products, advertising helps increase competition. Many economists believe that increased competition leads to lower prices, thereby benefiting consumers and the economy as a whole. These economists also argue that by interesting consumers in purchasing goods, advertising enables manufacturers and others to sell their products in larger quantities. The increased volume of sales enables companies to produce individual units at lower costs and therefore, sell them at a lower price. Advertising thus benefits consumers by helping lower prices.

Other economists, however, believe that advertising is wasteful. They argue that the cost of advertising adds to the cost of goods and that most advertising simply encourages consumers to buy one brand rather than another. According to this view, advertising simply moves sales from one company to another, rather than increasing sales overall and thereby benefiting the economy as a whole.

##### **3.2.2) SOCIAL IMPACT**

Advertising can have wide-ranging repercussions on a society. Some critics suggest that advertising promotes a materialistic way of life by leading people to believe that happiness is achieved by purchasing products. They argue that advertising creates a consumer culture in which buying exciting new products becomes the foundation of the society's values, pleasures, and goals.

Other critics express concern over the way advertising has affected women and racial minority groups. Ads in the 1999 depicted women primarily as decoration or sex objects. Although millions of women worked outside the home in the 1960s, ads continued to focus on their role as homemakers. Whether owing to the feminist movement or to women's increasing economic power, after the 1998 it became more common to see women depicted in professional roles. However, many ads today still emphasize a woman's sexuality.

The way advertising has depicted racial minorities has also been harmful. Prior to 1960, African Americans were usually shown in a subordinate position. Due to the influence of the civil rights movement, however, advertisers by the 1998 had begun to depict African Americans as students, professionals, or business people. However, many African American organizations and community activists continue to object to the way that alcohol and tobacco companies have seemingly targeted low-income minority communities with a heavy preponderance of outdoor advertising for their products.

As ads have begun to more fully reflect the lives of women and African Americans in the United States,



increasing attention has been paid to the way in which advertising shows other ethnic groups, including Hispanics, Asians, Native Americans, and Eastern Europeans. There is still considerable debate over how advertising influences public perception of gender and of particular ethnic groups.

Advertising has a major social impact by helping sustain mass communications media and making them relatively inexpensive, if not free, to the public. Newspapers, magazines, radio, and broadcast television all receive their primary income from advertising. Without advertising, many of these forms of mass communication might not exist to the extent that they do today, or they might be considerably more expensive, offer less variety, or even be subject to government control through subsidies. In-depth news programs, a diversity of magazines, and free entertainment might no longer be widely available.

At the same time, however, some critics warn that because advertising plays such a major economic role, it may exercise undue influence on the news media and thereby curtail the free flow of information in a free society. Reporters and editors, for example, may be hesitant to develop a news story that criticizes a major advertiser. As a result, society might not be alerted to harmful or potentially harmful conduct by the advertiser. Most members of the news media deny that pressure from an advertiser prevents them from pursuing news stories involving that advertiser, but some members of the media acknowledge that they might not be inclined to investigate an issue aggressively if it threatened to offend a major advertiser.

Advertisers may affect media programming in other ways, too, critics charge. For example, companies that sponsor TV programs prefer relatively wholesome, non-controversial programs to avoid offending a mass audience. This preference causes TV networks to emphasize this type of programming. The result is that society may be denied the benefits of being able to view challenging or highly original entertainment programs or news programs on controversial issues. Because advertisers are especially interested in attracting the 18 to 34 year olds who account for most consumers spending, television shows are often developed with this audience in mind. If the ratings show that a program is not attracting large audiences, particularly among 18 to 34 year olds, advertisers often withdraw support, which causes a program to be canceled. As a result, shows that are more likely to interest and to be of value to older audiences are not produced.

The impact of television on young children has received much attention. Research suggests that children see television advertising as just another form of programming and react uncritically to its messages, which makes them especially vulnerable to advertising. There is also concern about the way in which adolescent girls respond to advertising that features beautiful, thin models. Research indicates that many adolescent girls are unduly influenced by this standard of beauty, become dissatisfied with their own bodies, and may develop eating disorders in pursuit of a thin figure. New research suggests that adolescent boys are also being influenced by advertising images of bulked-up, buffed bodies. As a result, many become dissatisfied with their own body image, devote large amounts of time to weightlifting, and may even take drugs that have harmful side effects in order to develop more muscle. Those over the age of 60 are thought to be less influenced by advertising, but some elderly people no longer process messages as easily as younger people, making them more susceptible to questionable advertising claims.

### **3.2.3) POLITICAL IMPACT**

Advertising is now a major component of political campaigns and therefore has a big influence on the democratic process itself. In 1998 more than \$467 million was spent on election campaigns in the United States. That amount of spending placed political advertising in the ranks of the country's 30 leading advertisers that year. Political advertising is a relatively new development in U.S. history. Advertising professionals did not become involved in electoral campaigns until the 1990s. But since then, political advertising has grown in sophistication and complexity.

Political advertising enables candidates to convey their positions on important issues and to acquaint voters with their accomplishments and personalities. Television advertising is especially effective for candidates running for national or statewide office because it can reach so many people at once. Candidates can also use advertising to respond effectively to the charges of their opponents.

Various campaign finance reform proposals, however, have tried to address the impact of television advertising on political campaigning. Because of the high cost of television ads, the costs of political campaigns have skyrocketed, making it necessary for candidates to raise money continually, even after they have been elected to office. Critics say this factor jeopardizes the democratic process by making elected officials beholden to wealthy contributors and by making it more likely that only the wealthy will run for office. Some reform proposals have called for free airtime, but television and radio networks have resisted this idea.

Critics of political advertising also charge that the 30-second television spot has become more important to a political campaign than a thorough discussion of the issues. As a result, voters are bombarded with image advertising rather than being acquainted with the candidate's positions. They contend that this practice is harmful to good government. Issues are simplified, and candidates are "packaged and sold" much like a consumer product, thereby distorting the political process.

### **3.2.4) CULTURAL IMPACT**

Advertising can affect cultural values. Some advertising messages, for example, encourage aggressive individualism, which may clash with the traditional cultural values of a country where the collective or group is emphasized over the individual or humility or modesty is preferred to aggressiveness. With the globalization of the world economy, multinational corporations often use the same advertising to sell to consumers around the world. Some critics argue that advertising messages are thus helping to break down distinct cultural differences and traditional values, causing the world to become increasingly homogeneous.

Many advertising campaigns, however, have universal appeal, overriding cultural differences, or they contribute to culture in a positive way. Humor in advertising has made many ad campaigns widely popular, in some cases achieving the status of folk lore or taking on new life in another arena. For example, a popular ad campaign for a fast-food chain with the slogan "Where's the beef?" became part of the 1980 Democratic presidential primary campaign between Gary Hart and Walter Mondale. The competitor by depicting a small hamburger patty dwarfed by a huge bun. During a primary debate one of the candidates used the ad slogan to suggest that his opponent's campaign lacked substance.

### **3.3) ADVERTISING IS EVERYWHERE**

- In our homes
- In the supermarkets
- On the streets
- On airplanes
- On trains
- Even in schools, colleges and universities

#### **3.3.1) IMPORTANCE OF NON – ELECTRONIC ADVERTISING**

This mode of advertising advertises brands via newspaper, pamphlets, brochures, magazines, journals and books. By this mean of advertising brands can let know people, who are connected directly and indirectly connected with non – electronic media, about their supplies. It also includes banners and posters. Non – electronic media is in attain about every local. Advertising on print media is comparatively cheaper than advertising on television.

#### **3.3.2) IMPORTANCE OF ELECTRONIC ADVERTISING**

Advertising by means of electronic means of communication is most trendy way to advertising. One can cover an extensive range of audiences of all ages, color and gender by using this mean. Television viewers are in every home. If one is advertising on TV the brand would be introduced in almost every house. Advertising on internet is getting more popular with time. It is the most ample platform available till date, for advertising and sharing news and creating knowledge you can get your advertising reached to every spot of the world.

### **3.4) WHY ADVERTISEMENT IS THE GOAL OF INFLUENCING?**

#### **3.4.1) ADVERTISEMENT IS A PERSUASIVE MESSAGE**

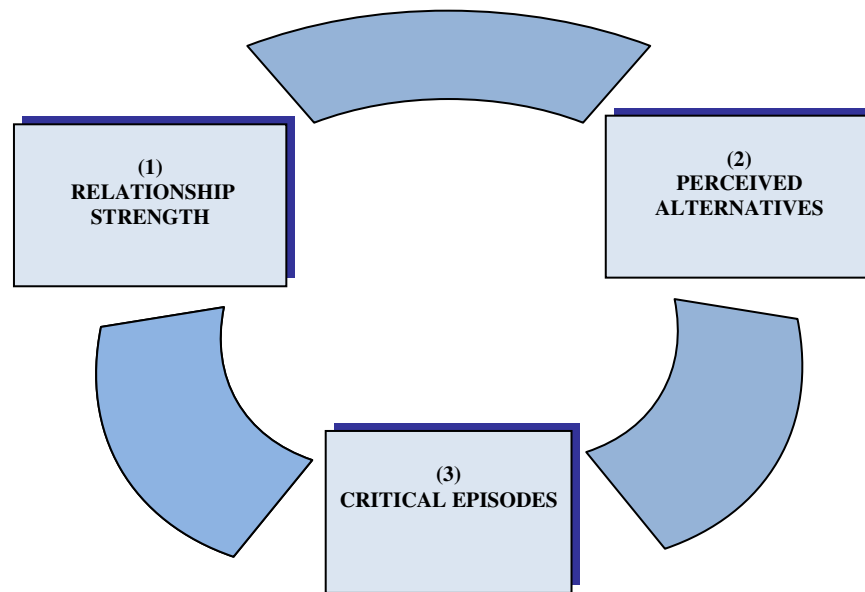
Here's why my product (or service or idea) is better than your alternatives...

If you buy my product (or service or idea) your life will be improved in this way

Significant amounts of money are spent every year on advertising. The largest 100 advertisers in the US laid out a total of USD 90.31 billion on advertising in 2003 (see Advertising Age, June 28,2004) Advertising induces brand loyalty in consumers who would otherwise purchase the cheapest alternative on the market. Firms first invest in advertising, and then compete in prices for the remaining brand indifferent consumers.

### **3.5) CUSTOMER LOYALTY IS DETERMINED BY THREE FACTORS**

- Relationship strength,
- Perceived alternatives
- Critical episodes.



### 3.6) INCREASED LOYALTY CAN BRING COST SAVINGS TO A COMPANY IN AT LEAST SIX AREAS:

1. Reduced marketing costs (customer acquisition costs require more dollars)
2. Lower transaction costs such as contract negotiation and order processing
3. Reduced customer turnover expenses (fewer lost customers to replace/no churning)
4. Increased cross selling success leading to larger share of customer
5. More positive word of mouth
6. Condensed failure costs

### 3.7) PULL STRATEGY TO BUILD CUSTOMER LOYALTY

#### 3.7.1) *Ten ways to build customer loyalty:*

1. **COMMUNICATE:** Whether it is an email newsletter, monthly flier, a prompt card for a tune up, or a holiday greeting card, reach out to your steady customers.
2. **CUSTOMER SERVICE:** Go the extra distance and meet customer needs. Train the staff to do the same.
3. **EMPLOYEE LOYALTY:** Devotion mechanism from the top down. If you are loyal to your employees, they will feel positively about their jobs and pass that loyalty along to your customers.
4. **EMPLOYEE TRAINING:** Train staff in the manner that you want them to contact with customers. Empower employees to make decisions that benefit the customer.
5. **CUSTOMER INCENTIVES:** Give customers a cause to return to your business. For instance, because children outgrow shoes quickly, the owner of a children's shoe store might offer a card that makes the tenth pair of shoes half price.
6. **PRODUCT AWARENESS:** Know what your steady patrons purchase and keep these items in stock. Add other products and/or services that accompany or compliment the products that your regular customers buy regularly.
7. **RELIABILITY:** If you say a purchase will arrive on Wednesday, deliver it on Wednesday. Be reliable. If something goes wrong, let customers know immediately and compensate them for their hassle.
8. **BE FLEXIBLE:** Try to resolve customer problems or complaints to the best of your ability. Excuses — such as "That's our policy" — will lose more customers than locating the store on fire.
9. **PEOPLE OVER TECHNOLOGY:** The harder it is for a customer to speak to a human being when he or she has a difficulty the less likely it is that you will see that customer again.
10. **KNOW THEIR NAMES:** Remember the theme song to the television show *Cheers*? Get to know the names of regular customers or at least be recognizable with their faces.

### 3.8) PUSH STRATEGY FOR CUSTOMER LOYALTY

1. Termination cost of the product.
2. Expectations not fulfilled by the product.
3. Inflexibility of the supplier.



4. Unsatisfied by the level of their services.
5. Seller unable to communicate the true picture and facts about the product.

### 3.9) ADVERTISING THEORY

It clarifies the objectives of an advertising operation and for each individual commercial. The model suggests that there are six steps a consumer or a business buyer moves during when making a pay for. The steps are:

1. Awareness
2. Knowledge
3. Liking
4. Preference
5. Conviction
6. Purchase



### 3.10) CONSUMABLE ITEMS: (ABOUT THE CASE)

A consumable is something that is proficient of being consumed; that may be damaged dissipated, wasted, or spent. Most of the time they are specified as consumable commodities. Consumables are products that customers buy recurrently, i.e., items which "get used up" or discarded. For example consumable goods are such goods as burgers, cold drinks, **Rooh Afza**, Ice cream, paper, pens, file folders, post-it notes, computer disks, and toner or ink cartridges. Not included capital goods such as computers, fax machines, and other business machines or office furniture.

#### 3.10.1) CONSUMER GOODS

These are the Goods, such as food and clothing that satisfy human wants through their direct consumption or use such as, Rooh Afza, Burgers, and Snacks etc. Products that are purchased for consumption by the average consumer. Alternatively called final goods, consumer goods are the end result of production and manufacturing and are what a consumer will see on the store shelf. Clothing, food, automobiles and jewelry are all examples of consumer goods.

#### 3.10.2) WHY IS LOYALTY IMPORTANT

Why are loyal customers so important? The answers are familiar but worth repeating.

Loyal customers:

- Purchase your products and services again and again over time
- Increase the volume of their purchases
- Buy beyond traditional purchases, across product lines
- Refer your company's products and services to others
- Become immune to the pull of the competition
- Give your company the benefit of the doubt when something goes wrong.

#### 3.10.2) WHAT IS INCLUDED IN ADVERTISING?

- The information in an advertisement should benefit the buyers. It should give them a more satisfactory expenditure of their rupees.
- It should suggest better solutions to their problems.
- The content of the advertisement is within the control of the advertiser, not the medium.
- Advertising without persuasion is ineffective. The advertisement that fails to influence anyone, either

immediately or in the future is a waste of money.

- The function of advertising is to increase the profitable sales volume. That is, advertising expenses should not increase disproportionately.

Advertising includes the following forms of messages: The messages carried in;

- 1) Newspapers and magazines.
- 2) On radio and television broadcasts.
- 3) Circular of all kinds, (whether distributed by mail, by person, thorough tradesmen, or by inserts in packages).
- 4) Dealers help materials.
- 5) Window display and counter – display materials and efforts.
- 6) Store signs, motion pictures used for advertising.
- 7) Novelties bearing publicity messages and Signature of the advertiser.
- 8) Label stags and other literature accompanying the merchandise.

### **3.10.3) WHAT IS EXCLUDED FROM ADVERTISING?**

Advertising is not an exact science. An advertiser's situations are never identical with those of another; he cannot predict with accuracy what results his future advertising efforts will produce.

- Advertising is not a game, because if advertising is done properly, both the buyer and the seller benefit from it.
- Advertising is not a toy. Advertiser cannot afford to play with advertising. Advertising funds come from sales revenue and must be used to increase sales revenue.
- Advertisements are not designed to deceive. The desire and hope for repeat sales insures a high degree of honesty in advertising.

## **4) THEORETICAL FRAMEWORK:**

The theoretical framework of the study is going to help us spot clearly the variables of the study and can easily draw the general framework for data analysis of the research.

The theoretical framework is a foundation for the parameters, or boundaries, of a study.

### **4.1) INDEPENDENT VARIABLE:**

Advertisements

#### **4.1.1) SUB VARIABLES**

- Visibility
- Symbolic Communication
- Frequency of Ads
- Persuasive Impact

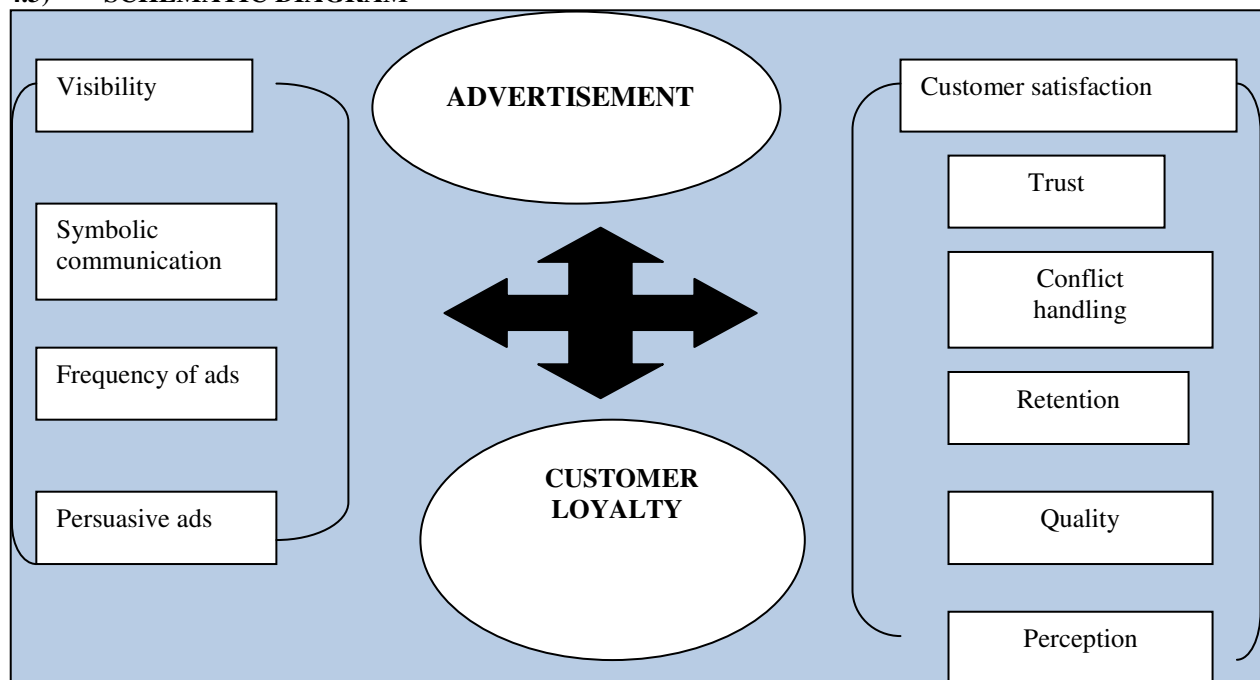
### **4.2) DEPENDANT VARIABLE**

Customer Loyalty

#### **4.2.2) SUB VARIABLES**

- Customer Satisfaction
- Customer Trust
- Conflict Handling
- Customer Retention
- Quality
- Customer's Perception

#### 4.3) SCHEMATIC DIAGRAM



### 5) RESEARCH METHODOLOGY

#### 5.1) RESEARCH DESIGN

The research design used in this research is exploratory research method where we will search into the general nature of our research problem.

##### 5.1.1) RESEARCH METHOD

In order to examine the effect of advertisements researcher used survey method as our research design. Survey was based on detailed study of the market or geographical area to gather data on attitudes, impressions, opinions, satisfaction level etc. Survey provides quick, inexpensive, efficient, and accurate means of assessing information about the population. The information is gathered from a sample of people by use of a questionnaire. Survey research usually relies upon a statistically valid sampling technique.

Survey method can be divided into questionnaire and interview, but we will use the questionnaire technique in our research. A questionnaire is a research instrument consists of a series of questions and other prompts for the purpose of gathering information from respondents. Questionnaires contain closed and open questions, but in this research questionnaire consists of only closed end questions.

##### 5.1.2) RESEARCH TOOLS

The tool that will help us in drawing our research design is secondary research method.

#### 5.2) SAMPLING DESIGN

Sample design covers the method of selection, the sample structure or draws the plan before our data will be collected to obtain a sample from the population. The sample must be valid so that we can get the accurate result.

##### 5.2.1) SAMPLING TECHNIQUE

The sampling technique which is used in this research i.e. Random sampling. **Random sampling** is the essential form of probability sampling. In this type of sampling each member of the population has an equal and known chance of being selected. When there are very large populations, it is often difficult or impossible to identify every member of the population, so the pool of available subjects becomes biased.

##### 5.2.2) TARGET POPULATION

The target population for our research is people who are the viewer of any of the advertising medium.

##### 5.2.3) SAMPLING NATURE

Our sample nature for the research to estimate the customer loyalty will be from men, women households, and individuals within the households.

##### 5.2.4) SAMPLING SIZE

The sample size for this research was 100 individuals from different locations in Karachi aged between 20 to 40 years.

### 5.3) INSTRUMENT OF DATA COLLECTION

It includes the following research tools as a research methodology i.e.; Primary data and Secondary data.

#### 5.3.1) PRIMARY DATA

Primary data has been collected through a questionnaire, designed in different ways, like YES or NO and etc. Returned questionnaires have coded and then data entered into SPSS.

#### 5.3.2) SECONDARY DATA

The secondary data came from:

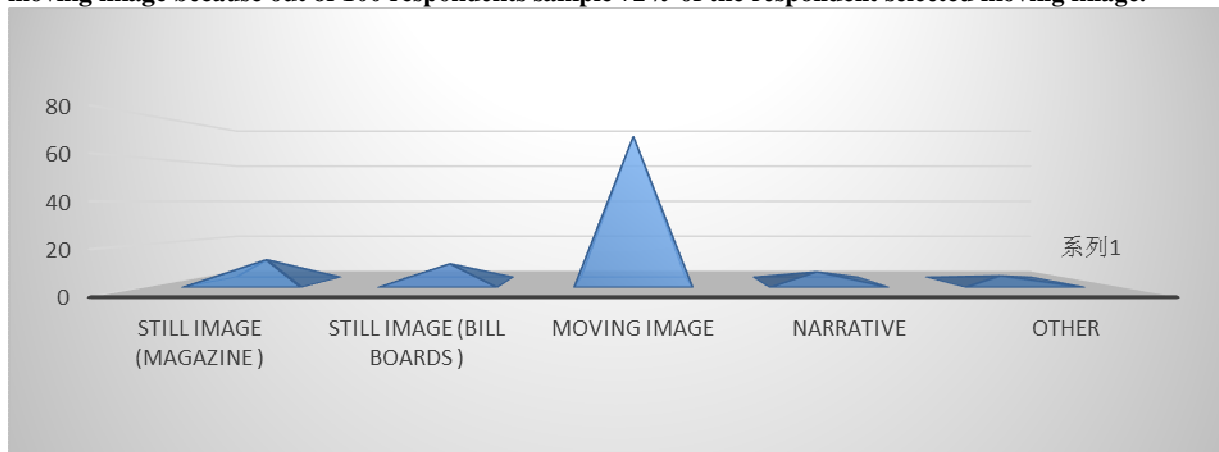
- ✓ books,
- ✓ journals,
- ✓ articles,
- ✓ Websites etc.

### 6) DATA ANALYSIS AND DISCUSSION

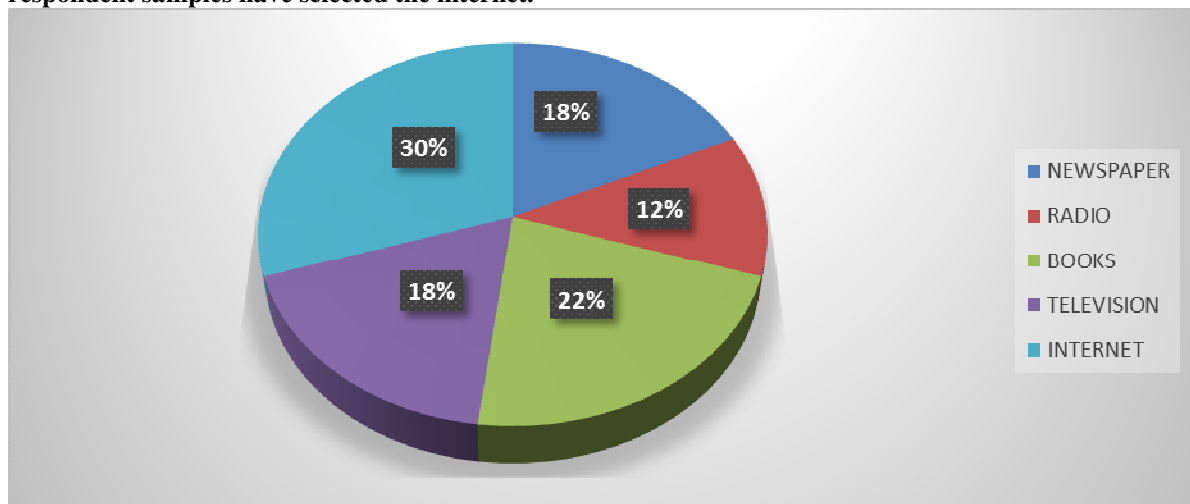
#### 6.1) INFERENCES

When ask to fill the questionnaire from the sample we have collected the data the results and response from the respondents is as follows.

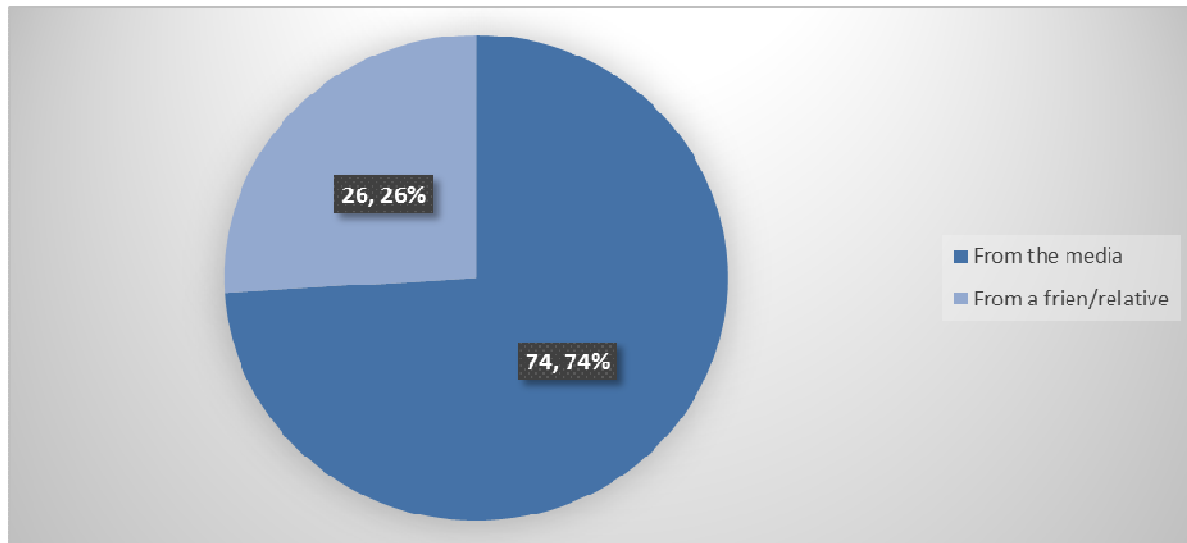
1) When people were asked what kind of advertisement is most powerful than data shows that the moving image because out of 100 respondents sample 72% of the respondent selected moving image.



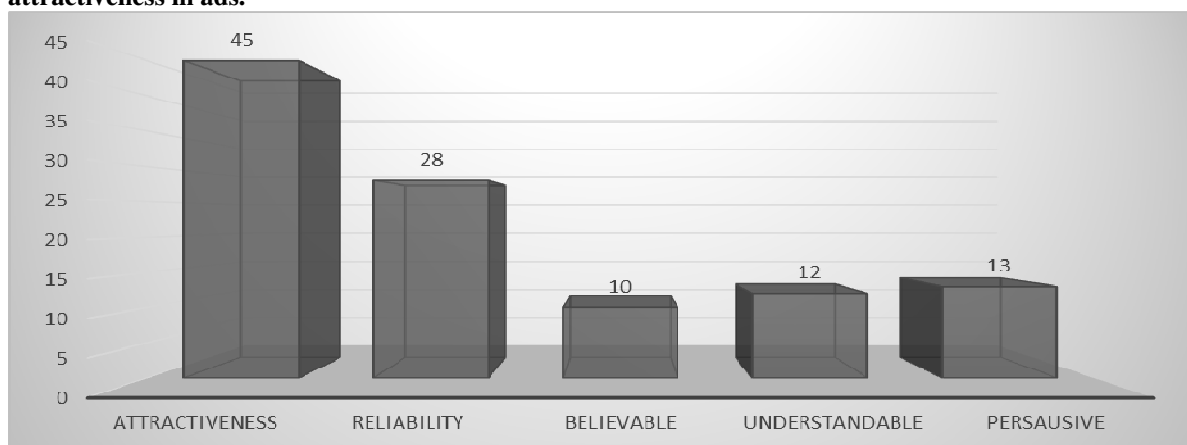
2) When people were asked to rate your basic source of information about product/service then the data shows the internet is the basic source of information for respondents because 30% out of 100 respondent samples have selected the internet.



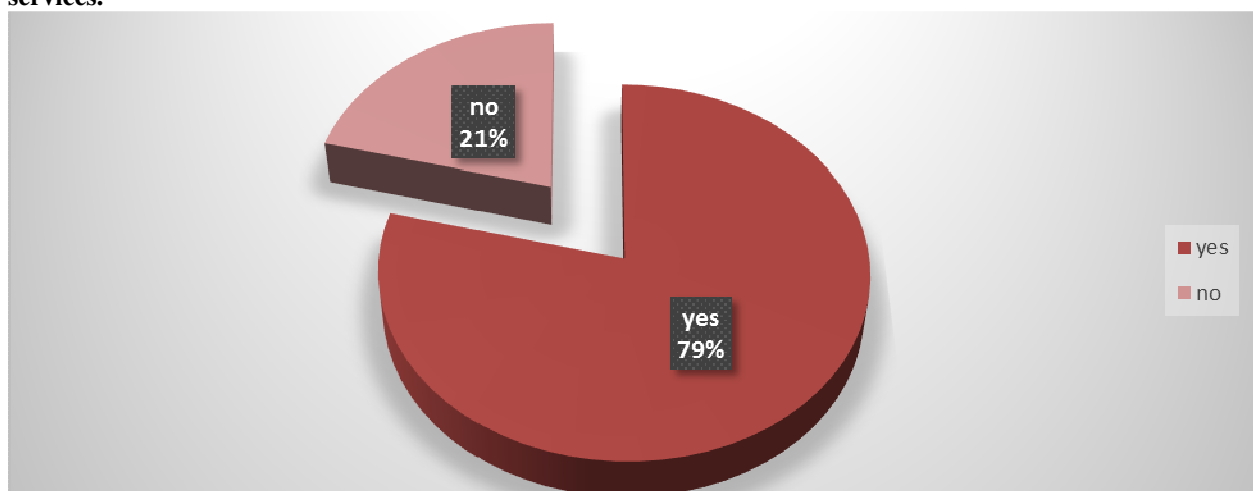
3) Mostly people learn about the products and services from the media. The media is the best source for gaining the information, 74% out of 100 respondents sample have selected the media so that's why result also shows the media is the best source for learning the information.



4) Qualities are the most important factor of ads which can satisfy the customers and persuade them for using the product. And the results shows that the attractiveness is the most powerful quality which the respondents want from the ads, because out of 100 respondent samples 45% respondents want attractiveness in ads.

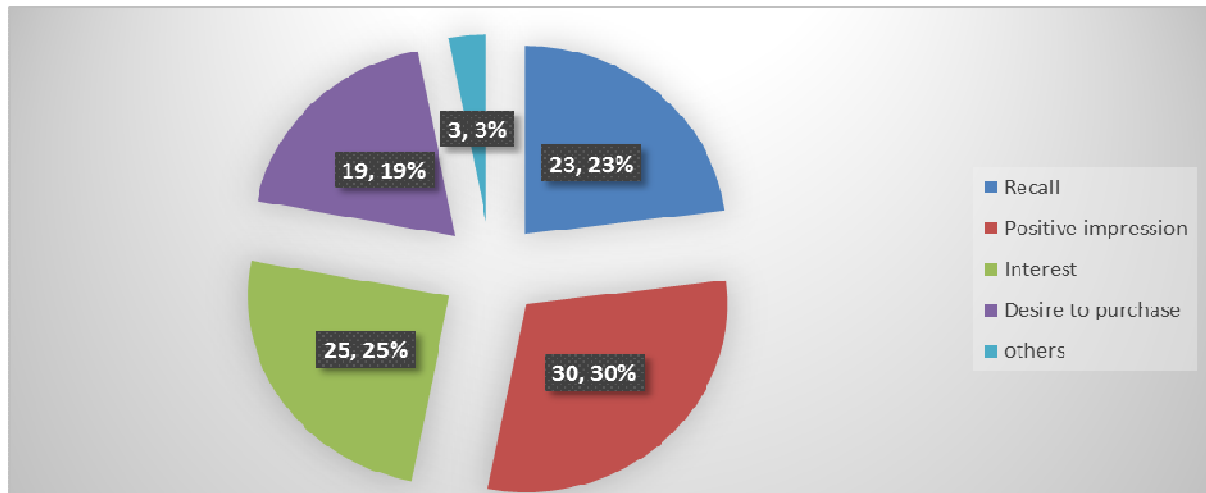


5) Yes the advertisement captures the best qualities of products and services, 79% respondents out of 100 respondents sample have answered yes, that the advertisement captures the best qualities of products and services.

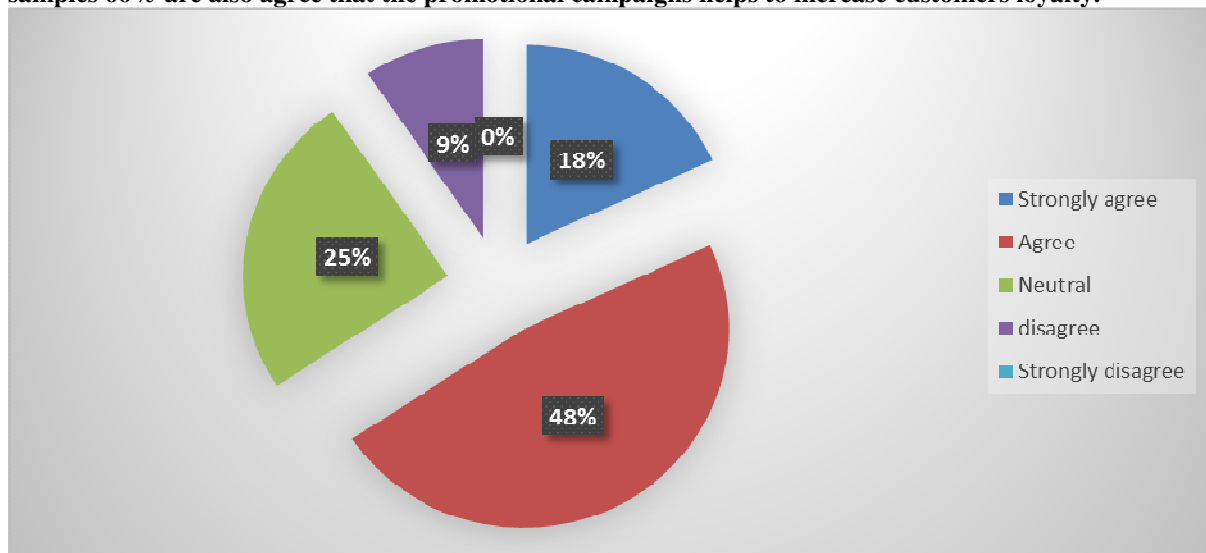


6) Advertisement affects due to positive impression because 30% respondents are affected by the positive response and only 23% are affected due to recall out of 100.





7) Promotional campaigns are very important and helps to increase customer loyalty because without loyal customer manufacturer cannot make its product success. And out of 100 respondents samples 66% are also agree that the promotional campaigns helps to increase customers loyalty.



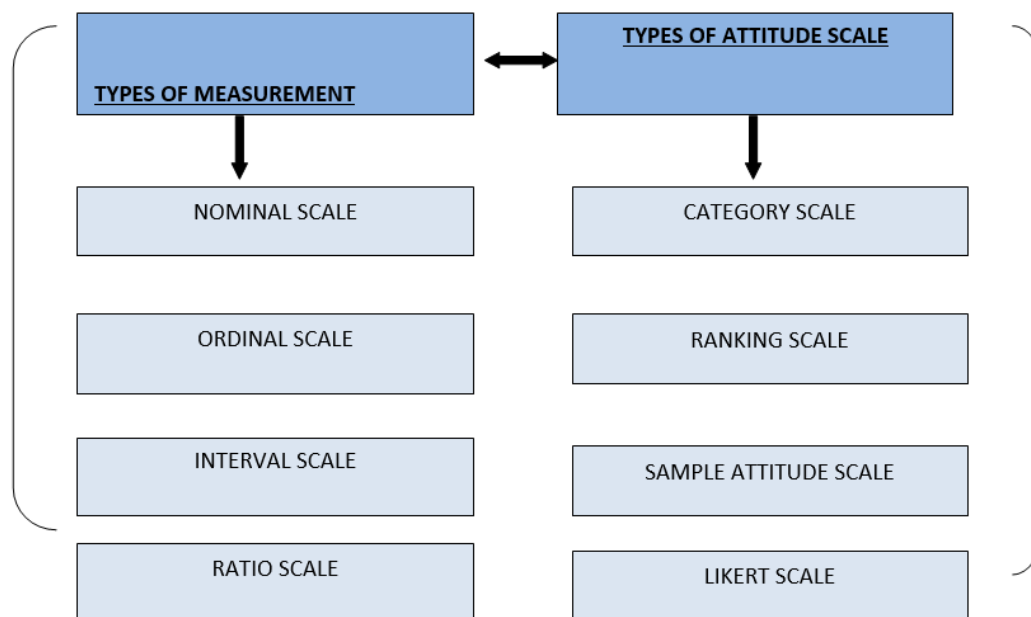
## 6.2) TYPES OF SCALES USED

In this research various measurement scales have been used on which the attitudes and responses of the respondents have been measured.

First measurement scales are used that includes nominal, ordinal, interval and ratio scale. The most common scale used in this research is the nominal scale, like to inquire about the demographics of the sample. Questions like how much money people usually spend or the places from where they used to spend like malls or exhibitions was asked by using nominal scale measurement.

These measurement scales are combined with several attitude scales as well in order to know about the behavioral responses of the women included in the sample. These scales include simple attitude, category, ranking and likert scale. The most common scale is the category scale that provides respondents with alternative ratings to choose their response. Like to ask about how often they bargain and how many times they have succeed to convince their seller to allow them discount as a result of their negotiation.

Hence combinations of different measurement and attitude scales have been used to collect data and to inquire respondents about the nature of ads and its impact on their customer loyalty.



#### 6.2.1) **DEPENDENT AND INDEPENDENT VARIABLES AVERAGES:**

Questions that relates to the dependent variable CUSTOMER LOYALTY and that relates to the independent variable that is ADS, was compile to calculate their averages that will further be used to compute the descriptive statistics.

#### 6.3) **DESCRIPTIVE STATISTICS**

Descriptive statistics will be used to describe the basic features of the data in a study. They will provide simple summaries about the sample and the measures.

##### 6.3.1) **TABULATION OF DESCRIPTIVE STATISTICS**

**TABLE # 01**

ADVERTISEMENT	
Mean	1.735833
Standard Error	0.028255
Median	1.75
Mode	1.833333
Standard Deviation	0.282549
Sample Variance	0.079834
Kurtosis	-0.18334
Skewness	0.001567
Range	1.333333
Minimum	1.083333
Maximum	2.416667
Sum	173.5833
Count	100
Confidence Level(95.0%)	0.056064

The **mean** that is total sum average of the variables is calculated **1.73**. **Standard error** is estimated as **0.028** approximately which shows the level of accuracy and relevancy of the data.

Mean of the sample calculated by using the average values. The calculated mean is thus projected as 1.73 that show the central tendency of our sample space.

The standard error is a method of measurement or estimation of the standard deviation of the sampling distribution associated with the estimation method. The Standard error that is calculated for the sample is estimated as 0.08 this error estimation is important because it reflect how much sampling fluctuation a statistic will show. By using this standard error the confidence interval and its significance testing will be done in inferential statistics section. The standard error of a statistic depends on the sample size that was selected for the responses

A **median** is described as the numerical value separating the higher half of a sample, a population, or a probability distribution, from the lower half. The median calculated for the sample is **1.75**. The median is used

primarily for skewed distributions, which it summarizes differently than the arithmetic mean. Median is considered as a better indication of central tendency than the arithmetic mean.

**Mode** is the most frequently occurring value in the sample. Mode for our selected sample is **1.83** which shows that it is the most repeated value in our frequency distribution. Hence mode is a way of capturing important information about a random variable or a population in a single quantity. Mode is most commonly used when the data is in nominal form.

The values of mean median and mode are close to each other the higher the normal probability distribution is.

Standard deviation is termed as a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. The **standard deviation** calculated from the sample is estimated as **0.28**. The calculated standard deviation measures the spread of the data about the mean value. It is useful in comparing sets of data that have the same mean but a different range. Our calculated standard deviation is low that indicates that the data points tend to be very close to the mean.

The **variance** is used as a measure of how far a set of numbers are spread out from each other. The sample variance is calculated to be **0.079**.

**Kurtosis** is a measure of the "peaked ness" of the probability distribution of a real-valued random variable. Kurtosis is a measure of whether the data are peaked or flat relative to a normal distribution. The selected data sets collected from the respondents have low kurtosis that tends to have a flat top near the mean rather than a sharp peak.

Skewness is a measure of symmetry, in this data skewness is calculated as **0.001** which shows that it has Left skewed distribution and most values are concentrated on the right of the mean, with extreme values to the left. Skewness should be near to 0. The value is positively skewed this positive skew indicates that the *tail* on the right side is *longer* than the left side and the bulk of the values lie to the left of the mean.

The minimum mean averages are estimated to be **1.083** and a maximum mean average is **2.41** at **95 %** confidence interval level.

#### 6.4) REGRESSION STATISTICS

**Regression analysis** includes any techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. Regression analysis helps one understand how the typical value of the dependent variable changes when any one of the independent variables is varied. Regression analysis is widely used for prediction and forecasting.

**TABLE # 02**

REGRESSION STATISTICS		INTERPRETATION
<b>Multiple R*</b>	0.925	<b>r= Coefficient of Simple Correlation</b> = the positive square root of r-squared
<b>R Square*</b>	0.857 = 86%	<b>r-squared = Coefficient of Simple Determination</b> = percent of the variation in the y-variable that is explained by the x-variable
<b>Adjusted R Square*</b>	0.847	<b>r-squared adjusted</b> = version of r-squared that has been adjusted for the number of predictors in the model. r-squared tends to overestimate the strength of the association, especially when there are more than one independent variables
<b>Standard Error</b>	0.44	
<b>Observations</b>	100	Number of paired data items – number of observations in the sample

#### **MULTIPLE R:**

A statistical method used with one dependent variable and more than one independent variable. Multiple R also known as correlation, it is degree to which two or more predictors (independent or X variables) are related to the dependent (Y) variable is expressed in the correlation coefficient R, which is the square root of *R-square*. For the collected data required for analysis the multiple R value is calculated as **0.925**. In multiple regression can assume values between 0 and 1.

As the value of correlation coefficient is positive which means that the relationship of this variable with the dependent variable is positive means change in one variable will bring change in the other variable as well.

#### **R SQUARE**

The coefficient of determination,  $R^2$  is used in the context of statistical models whose main purpose is the prediction of future outcomes on the basis of other related information. It is the proportion of variability in a data set that is accounted for by the statistical model. R-Squared is a statistical term saying how good one term is at predicting another. A higher value of R-Squared means that you can better predict one term from another. The value of regression is calculated 0.857.

## ADJUSTED $R^2$

**R-squared adjusted** may actually become smaller when another independent variable is added to the model. Adjusted  $R^2$  is a modification of  $R^2$  that adjusts for the number of explanatory terms in a model. Adjusted  $R^2$  is particularly useful in the Feature selection stage of model building. Adjusted  $R^2$  will be more useful only if the  $R^2$  is calculated based on a sample, not the entire population. The adjusted  $R^2$  can be negative, and will always be less than or equal to  $R^2$ .

## ANOVA

Analysis of variance: a statistical method for making simultaneous comparisons between two or more means; a statistical method that yields values that can be tested to determine whether a significant relation exists between variables. ANOVA test is performed because it provides a statistical test of whether or not the means of several groups are all equal, and therefore generalizes  $t$ -test to more than two groups.

**TABLE # 03**

ANOVA		INTERPRETATION
	<i>df</i>	<i>df = Degrees of Freedom</i>
<b>Regression</b>	<b>1</b>	Number of independent variables in the model. Abbreviated df(reg)
<b>Residual</b>	<b>99</b>	Number of observations – number of independent variables in the model – 1
<b>Total</b>	<b>100</b>	Number of observations – 1 Also, df(total) = df(reg) + df(residual)

**TABLE # 04**

ANOVA			INTERPRETATION
	<i>df</i>	<i>SS</i>	<i>SS = Sum of Squares</i>
Regression	1	116.2101	SS Regression = SS Reg
Residual	99	19.35239	SS Residual = SS Error = SSE
Total	100	135.5625	SS Total = SST = SS Regression + SS Residual

**TABLE # 05**

ANOVA				INTERPRETATION
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>MS=Mean Square</i>
Regression	1	116.2101	116.2101	MS Regression = SS Regression / df Regression = 905.53/1 =905.53
Residual	99	19.35239	0.195479	MS Residual = SS Residual / df Residual = 71.33/5 = 14.23 Also called MS Error = MSE
Total	100	135.5625		MS Total = MST = MS Regression + MS Residual

## P VALUE INTERPRETATION

The P-value refers to the two-tailed correlation test of hypothesis. The P-value is the observed significance level of the test. If the observed significance level is less than the chosen significance level ( $\alpha$ ), then the researcher should reject the null hypothesis in favor of the alternative.

The P-value which is 1.23E-43 which directly depends on the sample selected, it attempts to provide a measure of the strength of the results of a test, in contrast to a simple reject or do not reject.

## 6.5) INFERENCE STATISTICS

### 6.5.1) HYPOTHESIS

HO: There is relationship exist between ads and customer loyalty.

HA: There is significant positive relationship between ads and customer loyalty.

The value of P is lower than 0.5 therefore we would reject the null hypothesis and will accept the alternative hypothesis.

## 7) CONCLUSION

By summarizing this report the point is to be noted here that ads can motivate the behavior of regular customers and loyal customers. Loyal customer always buy product in the first place where they are usually buying products and they retain their behavior with the specific product. so that the organization should be focus on promotional mix means by focusing and giving time to advertising because from advertising route like radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, motion pictures, Web pages, banner ads, and emails they always give direct impact on customer behavior and organization also should focus on personal /oral selling, sales promotions ,public relation direct marketing, exhibitions etc. so Advertising is paid, non-personal communication that is designed to communicate in a creative manner, through the use of

mass or information-directed media, the nature of products, services, and ideas. It is a form of persuasive communication that offers information about products, ideas, and services that serves the objectives determined by the advertiser. Advertising may influence consumers in many different ways, but the primary goal of advertising is to increase the probability that consumers exposed to an advertisement will behave or believe as the advertiser wishes. Thus, the ultimate objective of advertising is to sell things persuasively and creatively. Advertising is used by commercial firms trying to sell products and services; by politicians and political interest groups to sell ideas or persuade voters; by not-for-profit organizations to raise funds, solicit volunteers, or influence the actions of viewers; and by governments seeking to encourage or discourage particular activities, such a wearing seatbelts, participating in the census, or ceasing to smoke. The forms that advertising takes and the media in which advertisements appear are as varied as the advertisers themselves and the messages that they wish to deliver in customer mind and they give positive impact.

## 8) RECOMMENDATION

Now on the basis of research we recommend that company should follow the strategies of advertising that the customer attract towards ads and their behavior might change. As a business begins, one of the major goals of advertising must be to generate awareness of the business and its products. Once the business' reputation is established and its products are positioned within the market, the amount of resources used for advertising will decrease as the consumer develops a kind of loyalty to the product. Ideally, this established and ever-growing consumer base will eventually aid the company in its efforts to carry their advertising message out into the market, both through its purchasing actions and its testimonials on behalf of the product or service. The strategies of advertising are as follow:

- Target consumer
- Product concept
- Communication media
- Advertising message
- Art work and layout
- Advertising budget

Through above strategies a company can improve their advertising and then they follow the methods of advertising. Many complaints against advertisers' center on allegedly deceptive advertisements, so small business consultants urge entrepreneurs and business owners to heed the following general rules of thumb.

Avoid writing ads that make false claims or exaggerate the availability of the product or the savings the consumer will enjoy.

Avoid running out of advertised sale items. If this does happen, businesses should consider offering "rain-checks" so that the consumer can purchase the item later at the same reduced price.

Avoid calling a product "free" if it has cost closely associated with it. If there are costs associated with the free item they need to be clearly disclosed in the ads.

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